

Message Text

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TAGS: ENRG, JA, UR

SUBJECT: ANZAI VISIT

1. TOKYO GAS CHAIRMAN ANZAI AND EL PASO NATURAL GAS
CHAIRMAN BOYD, ACCOMPANIED BY SENIOR OFFICIALS OF THEIR
RESPECTIVE COMPANIES, MET WITH UNDER SECRETARY DONALDSON,
FEDERAL ENERGY ADMINISTRATOR SAWHILL, EXIM CHAIRMAN CASEY,
ASSISTANT SECRETARY INGERSOLL, AND DEAN HINTON OF CIEP
DURING MAY 7-9 VISIT TO WASHINGTON TO DISCUSS YAKUTSK
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NATURAL GAS PROJECT. ANZAI EXPRESSED CONCERN TO ALL

OFFICIALS OVER DELAY IN US EXIMBANK DECISION ON LOAN FOR EXPLORATION PHASE, INDICATING THAT JAPAN HOPES TO BEGIN EXPLORATIONS ON NOVEMBER 1. BOYD SAID THAT DUE TO LONG LEAD TIME REQUIRED AND CLIMATIC FACTORS, EXPLORATION PHASE MIGHT BE DELAYED BY FULL YEAR IF WORK WERE NOT INITIATED BY NOVEMBER.

2. CASEY AND OTHER US OFFICIALS INDICATED THAT US REMAINS INTERESTED IN COOPERATING WITH JAPAN IN EXPLORATION PROJECT. DUE TO CONGRESSIONAL ATTITUDE, HOWEVER, PROSPECTS FOR EXIMBANK CREDITS REMAIN CLOUDY AND PROBABLY WILL NOT BE CLARIFIED UNTIL MID-SUMMER AT EARLIEST. ANZAI EXPRESSED APPRECIATION FOR CASEY'S RECENT MESSAGE TO JAPANESE EXIMBANK INDICATING THAT WE WOULD NOT OBJECT IF JAPAN MOVED AHEAD WITH BILATERAL AGREEMENT ON EXPLORATION PHASE. FOR BOTH POLITICAL AND ECONOMIC REASONS,

HOWEVER, JAPAN CONSIDERS IT ESSENTIAL THAT YAKUTSK NATURAL GAS PROJECT BE JOINT US-JAPAN EFFORT FROM THE OUTSET. JOINT US-JAPAN COOPERATION IN SIBERIAN ENERGY DEVELOPMENT PROJECTS HAD, HE SAID, BEEN AGREED UPON AT THE HIGHEST LEVEL BETWEEN PRESIDENT AND PRIME MINISTER TANAKA AND REMAINS FUNDAMENTAL POSITION OF JAPANESE GOVERNMENT. HE EMPHASIZED THAT RECENT JAPAN-SOVIET AGREEMENT HAD BEEN MADE CONDITIONAL UPON PARALLEL AND EQUAL CREDITS FROM US AND INDICATED NO INCLINATION TO BEGIN DISBURSEMENT OF JAPANESE CREDITS FOR EXPLORATION STAGE WITHOUT US PARTICIPATION. ASKED IF IT MIGHT BE POSSIBLE TO MOVE AHEAD ON BASIS OF PRIVATE CREDITS FROM US SIDE, BOYD CHARACTERIZED THIS AS HIGHLY UNLIKELY, SINCE SOVIETS WOULD NOT ACCEPT CURRENT INTEREST RATES FOR PRIVATE CREDITS.

3. ALL US OFFICIALS QUERIED ANZAI AND BOYD REGARDING ANTICIPATED PRICE OF IMPORTED LNG, SAWHILL IN PARTICULAR INDICATING SOME DOUBT THAT LANDED PRICE WOULD BE ECONOMICALLY FEASIBLE FOR US. ANZAI SAID THAT JAPANESE HAD DELIBERATELY RESISTED SOVIET EFFORTS TO NEGOTIATE PRICE AT THIS TIME, LIMITING DISCUSSION TO EXPLORATION PHASE. IN VIEW OF CURRENT HIGH PRICE OF CRUDE OIL AND

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UNDOUBTED SOVIET DESIRE TO PEG LNG PRICE TO THIS INFLATED LEVEL, JAPANESE CONSIDERED THIS NO TIME TO DISCUSS PRICE OF GAS WHICH WILL NOT BE DELIVERED FOR AT LEAST SIX YEARS EVEN IF EXPLORATIONS BEGIN IN NOVEMBER. BOYD AGREED WITH THIS POSITION. ACKNOWLEDGING US CONCERN OVER BECOMING INVOLVED IN EXPLORATION PROJECT WITHOUT CLEAR PICTURE OF PRICE OF GAS EVENTUALLY TO BE EXPORTED, BOYD EMPHASIZED THAT ANY EXPLORATION CREDIT AGREEMENT

MEN- WOULD PROVIDE FOR REPAYMENT ACCORDING TO AGREED
TIMETABLE IF, DUE TO PRICE OR ANY OTHER REASON, THE
PROJECT PROVES TO BE ECONOMICALLY UNFEASIBLE. RUSH

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